

EXHIBIT 7



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Investors Sue Block.one Over Unregistered \$4B ICO

By **Reenat Sinay**

Law360 (May 18, 2020, 10:10 PM EDT) -- Investors hit cryptocurrency issuer Block.one with a proposed securities class action in New York federal court on Monday over its 2017 unregistered offering of EOS tokens and misstatements about its ability to more fully decentralize EOS blockchain technology.

Crypto Assets Opportunity Fund LLC and individual investor Johnny Hong accuse the company and several of its top brass — including co-founders Brendan Blumer, Daniel Larimer and Brock Pierce — of fraudulently raising \$4 billion dollars in an illegal initial coin offering and of lying to investors to drive demand for EOS, thereby artificially inflating the token's value.

"While Block.one did not provide a registration statement, the individual defendants, who promoted the sale of the EOS securities, made dozens of materially false and misleading statements to induce investors to purchase the EOS securities," the investors said. "These statements were disseminated both prior to the launch of the ICO and throughout its duration, inflating the price of the EOS securities sold both in the ICO and on the secondary market."

Block.one **paid a \$24 million penalty** last year to the U.S. Securities and Exchange Commission over its unregistered ICO without admitting or denying the allegations, and it is currently facing a similar proposed securities class action over the offering in the same New York federal court.

Last month, individual investors Chase Williams and William Zhang hit Block.one with a securities fraud suit as **part of a coordinated deluge** of proposed class actions against several crypto asset exchanges and digital token issuers.

That wave of litigation, handled by Selendy & Gay PLLC and Roche Cyrulnik Freedman LLP, **seeks to redress** allegedly manipulative behavior by crypto exchanges and issuers who have taken advantage of market enthusiasm for crypto assets following the success of Bitcoin and Ethereum — a sentiment echoed in the current suit.

According to Monday's complaint, Block.one's "scheme" was "fueled by a global frenzy over cryptocurrencies and unchecked human greed," that ultimately harmed "unsuspecting investors."

Block.one "aggressively marketed" EOS ahead of the ICO and falsely promised investors a more decentralized blockchain technology than existing blockchains, the suit says.

Decentralization allows many blockchain users to share power rather than being controlled by one central authority, and makes the blockchain and the data within more secure from hacking threats, according to the filing.

The company's misstatements drummed up interest in the token and artificially inflated its value, but that value began to decline as partial corrective disclosures about Block.one's real ability to deliver trickled out over the span of a year between 2018 to 2019, the investors said.

The cover-up of underlying problems with the blockchain technology ultimately caused the value of EOS to go from a high of \$22.89 in April 2018 to \$2.66 as of Monday, according to the investors.

The plaintiffs seek to represent a class of investors who bought EOS coins between June 26, 2017, to

the present, according to the complaint.

A Block.one spokesperson told Law360 late Monday that it plans to successfully defend the claims in court.

"The complaint is filled with false claims, and demonstrates a profound lack of understanding of blockchain technology and decentralized networks," the spokesperson said. "The company looks forward to addressing these matters and fully expects to prevail."

Counsel for the investors did not immediately respond to requests for comment.

The proposed class is represented by Jay W. Eisenhofer, Daniel L. Berger and Caitlin M. Moyna of Grant & Eisenhofer PA, James L. Koutoulas of Koutoulas Law LLC and solo practitioners Ievgeniia P. Vatenko and J. Samuel Tenenbaum.

Counsel information for the defendants was unavailable on Monday.

The case is Hong et al. v. Block.One et al., case number 1:20-cv-03829, in the U.S. District Court for the Southern District of New York.

--Editing by Nicole Bleier.

Update: This story has been updated to include comment from Block.one.

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**THE BLOCK****NEWS** **LEGAL**

Class action lawsuit filed against Block.one over allegations about its EOS initial coin offering

by **Aislinn Keely**

May 18, 2020, 11:42AM EDT · 2 min read

Quick Take

- Investors in the EOS initial coin offering have filed a class action complaint against Block.one in the Southern District of New York
- The plaintiffs allege that the company provided misleading statements to investors
- This development comes months after Block.one paid a \$24 million penalty to the Securities Exchange Commission following an investigation into the ICO

Just months after settling with the Securities and Exchange Commission (SEC), Block.one is on the receiving end of legal action once again for allegations surrounding its EOS token sale.

Crypto Assets Opportunity Fund LLC and Johnny Hong [filed](#) a class action complaint against the company Monday in the U.S. District Court for the Southern District of New York. Along with Block.One, its CEO Brendan Blumer, CTO Daniel Larimer, cryptographer and previous Block.one partner Ian Grigg and previous adviser Brock Pierce are all listed as defendants.

The plaintiffs allege that Block.one provided investors with false and misleading information about EOS in an effort to raise billions in an allegedly unregistered securities sale. According to the complaint, Crypto Assets Opportunity Fund LLC and Hong claim to have purchased tokens on a secondary market after the sale, which, as reported at the time, brought in an estimated \$4 billion.

"To drive the demand for and increase profit from the sales of EOS Securities, Defendants further violated the securities laws by making materially false and misleading statements about

EOS, which artificially inflated the prices for the EOS Securities and damaged unsuspecting investors," read the complaint.

A Block.one spokesperson said the firm is aware of the lawsuit.

"The complaint is filled with false claims, and demonstrates a profound lack of understanding of blockchain technology and decentralized networks," said the spokesperson. "The company looks forward to addressing these matters and fully expects to prevail."

Pierce, Blumer and Larimer founded Block.one in 2017 with plans to launch a blockchain that would prioritize decentralization in its architecture. They later launched an initial coin offering (ICO) for the EOS token, which was originally in the form of an ERC-20 token that could later be swapped for tokens on the native EOS network. The SEC eventually took issue with the year-long sale, alleging that it qualified as an unregistered securities offering. Block.one subsequently [paid a \\$24 million penalty](#) to the agency.

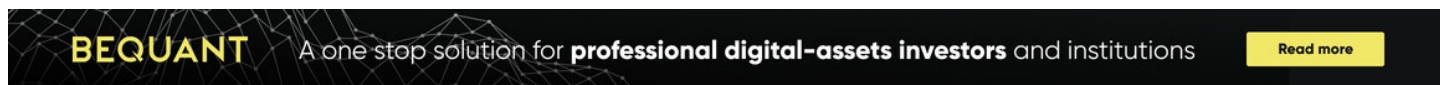
In this new complaint, the plaintiffs lean on Block.one's past squabbles with the SEC, using the title "EOS Securities" for the company's token throughout. Indeed, in last fall's Cease-and-Desist Order from the SEC, the regulator indicated that it viewed the EOS sale as an unregistered securities sale.

Plaintiffs contended that Block.one drove the price of EOS by "aggressively" marketing it to U.S. investors and insisting that the EOS blockchain would outperform existing blockchains. The complaint alleges that defendants even told prospective investors that EOS stood for "Ethereum on steroids."

However, the complaint alleges that by not outperforming other blockchains, not disclosing significant internal disagreements and failing to decentralize sufficiently, Block.one misled investors. The complaint details several instances where it alleges Pierce, Blumer, Larimer and Grigg made statements that failed to reflect how EOS was actually performing.

"Contrary to Defendants' false statements, as was slowly revealed throughout the Class Period, the EOS Blockchain was highly centralized and was not superior to the other blockchains already in use," read the complaint.

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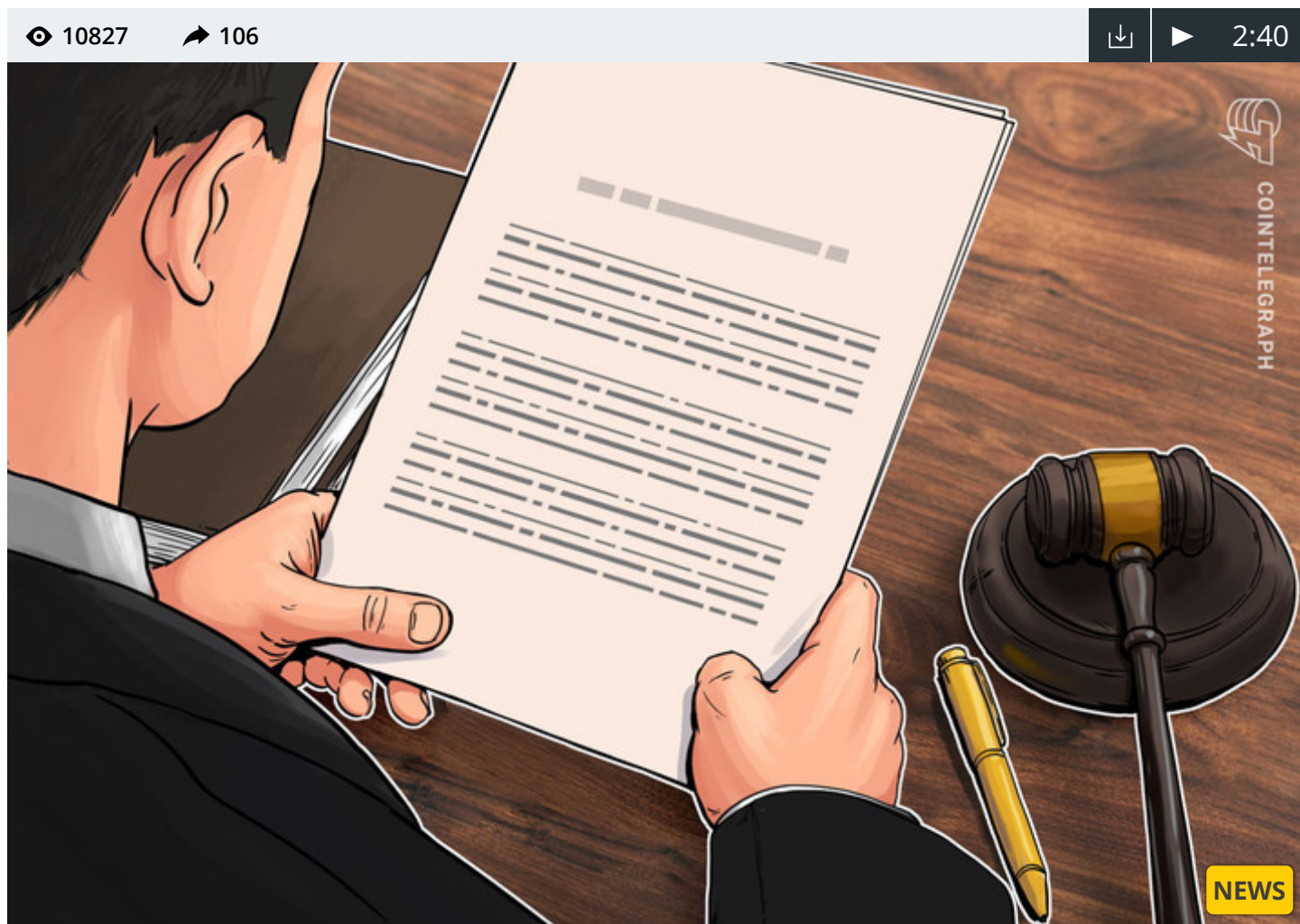


KOLLEN POST

MAY 18, 2020

Another Class Action Against Block.One Alleges Dirty Dealings During EOS ICO

Filed this morning, the second class action against block.one estimates that U.S. investors made up \$200 million of the EOS ICO, in violation of securities law.



Per a May 18 complaint, more investors are looking to recoup funds invested in the record-breaking initial coin offering for EOS — which netted a total of \$4 billion in cryptocurrency. Lawyers for the plaintiffs are calling over \$200 million of that money illegally raised.

Conflict with U.S. securities law and investors

The complaint alleges that EOS was an unregistered security offering by block.one. Block.one is the development firm that spearheaded the ICO for EOS, which many saw as a form of

investment in the company.

Language in the purchase agreements in EOS's pre-sale told investors in the United States not to participate in the fundraising round. This was an effort to avoid conflict with the Securities and Exchange Commission (SEC). Block.one did not register the offering in the U.S., neither as a security nor under exemptions from securities registration, so they leaned on their measures to skip out on U.S. investors entirely as their means of compliance with the U.S. regulator.

However, some U.S. investors indeed participated in the ICO, and block.one ended up encountering the SEC anyway. In September, block.one settled with the commission for \$24 million.

New allegations of actively courting investors

The new complaint alleges that the firm — which has offices in Hong Kong and Blacksburg, Virginia — knowingly and deliberately sought U.S. investors:

“

“From 2017 through the present, to drive demand for EOS Securities, Defendants have aggressively courted investors throughout the United States. Block.one first announced itself at a May 2017 conference in New York City, and punctuated its arrival with expensive ad space on a Times Square billboard.”

On the subject of how much investment actually came from the U.S., James Koutoulas, one of the lawyers for the plaintiffs, told Cointelegraph that they were “estimating bare minimum 200M in US losses.”

The complaint further dismisses block.one's claims to be working towards decentralization as falsehoods.

In an email to Cointelegraph, a representative from block.one expressed confidence in the pending case:

"Block.one is aware that career plaintiffs' lawyers have filed a lawsuit in the US. The complaint is filled with false claims, and demonstrates a profound lack of understanding of blockchain technology and decentralized networks. The company looks forward to addressing these matters and fully expects to prevail."

However, this case is not the end of the story. Early in April, law firm Roche Cyrulnik Freedman filed a rash of class-action suits against a number of crypto firms including block.one, based on similar allegations. The two cases will likely have to compete to be appointed lead counsel — effectively, leadership over the class.

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Block.one Failed to Decentralize EOS, Argues New Securities Fraud Lawsuit

May 19, 2020 at 12:48 UTC
Updated Jun 15, 2020 at 21:54 UTC



Brendan Blumer (Credit: Block.one)

Paddy Baker



A cryptocurrency investment fund has launched a class-action lawsuit in a U.S. court against Block.one and EOS’ high command, arguing the “fraudulent scheme” failed to deliver on its primary promise of decentralization.

The Crypto Assets Opportunity Fund (CAOF), along with individual investor Johnny Hong, has accused Block.one, CEO Brendan Blumer, CTO Dan Larimer, former Chief Strategy Officer Brock Pierce and former partner Ian Grigg, of trying to “capitalize on the investor fervor for cryptocurrencies” in 2017 to host an illegal securities sale.

In a strongly worded filing with the Southern District of New York, plaintiffs argue defendants purposefully misled investors and artificially inflated the eos token price during the yearlong initial coin offering (ICO), which raised a total of \$4.1 billion between June 2017 and June 2018.

The filing reads: “This case arises out of a fraudulent scheme, fueled by a global frenzy over cryptocurrencies and unchecked human greed, to raise billions of dollars through sales of a cryptocurrency called EOS – an unregistered security – to investors in violation of the United States federal securities laws.”

Both COAF and Hong are seeking damages, to be agreed on by the federal court, from the defendants.

See also: On EOS Blockchain, Vote Buying Is Business as Usual

The suit, filed Monday, has six counts. These include well-worn accusations such as Block.one aggressively marketed its token sale in the U.S. without first registering it with the Securities and Exchange Commission (SEC).

But the case’s linchpin is the accusation Block.one and its representatives made “dozens of materially false and misleading statements” about EOS, especially in attempts to promote it as a superior new type of decentralized protocol.

In the filing, plaintiffs say EOS was always publicly described as decentralized, and that this formed a crucial part of the whitepaper and broader ICO pitch.

But, they claim, this turned out to be false as soon as the protocol launched. It was the 21 block producers (BPs) who really controlled the ecosystem rather than the community itself, the filing reads. Key parts of the governance system such as the arbitrator, who could reverse and freeze transactions at will, were never disclosed at the time of the sale, the plaintiffs claim.

As proof that EOS was not the decentralized protocol investors had been led to believe, the filing cites a statement Pierce made in 2019 – after he had left Block.one – when he claimed EOS was effectively controlled by a “Chinese oligarchy.”

“Block.one did not have the ability to create a decentralized EOS blockchain,” the suit concludes. The plaintiffs say the failure to deliver on one of the sale’s key promise – as well as the costly Voice pivot – has had a negative impact on the eos token price, which materially harmed investors like themselves.

See also: Block.one Plans to Start Voting on EOS, the Blockchain It Birthed

CAOF is an Illinois-based pooled fund set up in 2017 under the umbrella of Victoria Capital – a blockchain-specific investment and advisory fund. There is very little public information about individual investor Johnny Hong besides that he resides in Solvang, California.

It isn't clear when CAOF bought into the EOS ICO or for how much, although a Medium post by CEO Brandon Elsasser, who is also Victoria Capital's chief investment officer (CIO), said in a [July 2018 update](#) that the fund had forsworn further ICO investing as it presented more risk than was deemed prudent.

Block.one [reached a settlement](#) with the SEC last September, agreeing to pay \$24 million in damages for running an unregistered securities sale in exchange for a waiver on the legal restrictions that would usually be applied.

At the time, SEC Division of Enforcement co-Director Steven Peikin said in a statement that Block.one had failed to provide investors with the information typically included in a securities sale.

Considering the \$24 million penalty represented 0.58% of the initial raise, some criticized the settlement as little more than a slap on the wrist. Earlier this year, investors [filed another complaint](#) requesting damages against Block.one after participating in the token sale.

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Block.one Faces Another US Class-Action Lawsuit

The company settled with the SEC last year with a fine of \$24 million.



Arnab Shome | [News \(Cryptocurrency \)](#) | Tuesday, 19/05/2020 | 11:20 GMT+2

Block.one, the issuer of EOS token, is facing another class-action lawsuit in the United States for selling unregistered securities.

Two plaintiffs – Crypto Assets Opportunity Fund LLC and Johnny Hong – filed the class-action [lawsuit](#) on Monday in the US District Court for the Southern District of New York.

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Along with Block.one, the lawsuit also named the company's CEO Brendan Blumer, CTO Daniel Larimer, cryptographer and previous partner Ian Grigg, and previous adviser Brock Pierce as the defendants.

The legal complaint alleges that EOS falls under the category of unregistered securities in the United States and the defendants misled the investors by providing false and misleading information.

"To drive the demand for and increase profit from the sales of EOS Securities, Defendants further violated the securities laws by making materially false and misleading statements about EOS, which artificially inflated the prices for the EOS Securities and damaged unsuspecting investors," the complaint alleges.

EOS was neither registered with the Securities and Commission Exchange (SEC) as security, nor it obtained an exemption certificate from the regulator.

To avoid conflict with the SEC, Block.one asked the investors in the United States not to participate in the token sale in its pre-sale agreement.

Notably, the project [raised \\$4 billion](#) in a year-long token sale round with participants from around the world, including the US.

Last year, the US regulator also [fined the project with \\$24 million](#) following a settlement for securities law violation.

Block.one claims that its blockchain will outperform any other blockchains available in the market. However, the lawsuit even questioned the decentralization aspect of the project.

"From 2017 through the present, to drive demand for EOS Securities, Defendants have aggressively courted investors throughout the United States. Block.one first announced itself at a May 2017 conference in New York City, and punctuated its arrival with expensive ad space on a Times Square billboard," the lawsuit read.



Block.one co-founder Brendan Blumer is among the defendants named in a new class action lawsuit (Photo: Block.one)

ALT COINS

I. Class action lawsuit against Block.one calls \$4B ICO ‘biggest of all crypto frauds’

II. A lawsuit says the sale of EOS tokens ‘arises out of a fraudulent scheme, fueled by a global frenzy over cryptocurrencies and unchecked human greed’

By C Sephton / May 19, 2020

Disgruntled investors have brought a class action lawsuit against Block.one, accusing the blockchain software firm of netting \$4 billion through an illegal initial coin offering for an unregulated asset that became “virtually worthless.”

Court documents filed on May 18 in the U.S. District Court for the Southern District of New York allege the case “arises out of a fraudulent scheme, fueled by a global frenzy over cryptocurrencies and unchecked human greed.”

<https://modernconsensus.com/cryptocurrencies/alt-coins/class-action-lawsuit-against-block-one-calls-4b-ico-biggest-of-all-crypto-frauds/>

47. In May 2017, Block.one announced its existence and purpose: to generate a superior decentralized EOS Blockchain. This news was heralded with much fanfare through a series of conferences and events attended by Block.one, including the flagship Consensus Conference in New York City on May 22, 2017. The New York conference was punctuated by a large billboard sign prominently displayed in Times Square:



Class action lawyers say the EOS-creator Block.one preyed on crypto buyers (Photo: Hong v. Block.one)

The Hong v. Block.one class action lawsuit is being brought on behalf of all individuals and organizations who bought or acquired EOS tokens from June 26, 2017 onward. Plaintiffs hope the new complaint will hold [Block.one](#) and its leadership accountable—claiming investors were deceived “in what may be the biggest of all crypto frauds.”

A Block.one spokesperson told Modern Consensus: “Block.one is aware that career plaintiffs’ lawyers have filed a lawsuit in the US. The complaint is filled with false claims and demonstrates a profound lack of understanding of blockchain technology and decentralized networks. The company looks forward to addressing these matters and fully expects to prevail.”

III. Dueling class actions

Grant & Eisenhofer, the law firm that brought Hong v. Block.one, is about a month and a half behind another class action lawsuit. On April 3, law firms Roche Cyrulnik Freedman and Selendy & Gay

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filed a class action suit —[Williams v. Block.one](#)—that also called the Block.one ICO an illegal, unregistered securities sale. It is one of [11 similar ICO suits](#) the two firms filed that day.

Both Hong and Williams [build on a settlement](#) Block.one reached back in September with the Securities and Exchange Commission, resulting in a \$24 million civil penalty.

Grant & Eisenhofer described this in [a May 18 release](#) as a “relative slap on the wrist that did little to promote investor protection,” given how it represents just 0.6% of the funds that were raised. It even claimed that this settlement “was only a tiny speed bump in what remains a successful scheme to defraud investors” given how the terms of the deal didn’t disqualify Block.one from future securities offerings and didn’t order compensation to be given.

In its year-long ICO from June 26, 2017 to June 4, 2018, the price of EOS ranged from less than \$0.50 to more than \$21, according to Messari. It is currently about \$2.66.

IV. In the dock

The Hong v. Block.one class action lawsuit alleges that the defendants—including current and former executives of Block.one—breached their fiduciary duty, and that there was unjust enrichment.

It is claimed that 900 million EOS tokens were sold during the ICO as a result of “aggressive marketing to investors in the United States and other countries.”

According to Grant & Eisenhofer, the sale was heralded with great fanfare as prominent billboards lit up New York’s Times Square and a bullish white paper entered circulation—billing it as a “superior competitor” to the likes of Bitcoin and Ethereum. Yet, at the same time, it’s alleged that Block.one had failed to comply with U.S. securities laws by neglecting to register the offering with the SEC.

The “willful evasion of regulations” meant ICO investors could not receive disclosures about its financial history and risk factors. “In essence, the complaint alleges, Block.one made a wildcard coin offering that profited the company handsomely but ultimately left investors holding little more than crypto dust,” the law firm added.

Although the SEC issued a cease-and-desist order against any further sale of the company’s tokens in September 2019, Grant & Eisenhofer claims that this took investors by surprise. “At no time had the company disclosed that it was subject of a government investigation,” it said.

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“Investors of all types deserve to be treated equitably and honestly,” Grant & Eisenhofer director Daniel Berger said. “This lawsuit is an important means to redress the brazenly unlawful conduct that Block.one exhibited in defrauding investors through its EOS token offering.”

TECH EMERGING TECH

Investors Bring Class Action Against Block.one Alleging Coin Offering Scam

by KIRSTEN ERRICK MAY 20, 2020

Investors in cryptocurrency platform Block.one have filed a [class action complaint](#) for violations of the Securities Act of 1933 and the Exchange Act of 1934. The suit was brought by investors who purchased EOS Tokens. Block.one is accused of engaging in a “fraudulent scheme,” which allegedly misled and deceived investors and has caused them to lose money.

The plaintiffs, Crypto Assets Opportunity Fund and Johnny Hong, alleged that Block.one did not register the EOS tokens as required by federal securities law. They also alleged that the securities were issued “pursuant to materially false and misleading prospectus,” and that they “disseminating materially false and misleading statements concerning the EOS Securities during the Class Period.”

Specifically, the plaintiffs said “[t]his case arises out of a fraudulent scheme, fueled by a global frenzy over cryptocurrencies and unchecked human greed, to raise billions of dollars through sales of a cryptocurrency called EOS – an unregistered security – to investors in violation of the United States federal securities laws.” They said the defendant made materially false and misleading statements about EOS, “which artificially inflated the prices for the EOS Securities and damaged unsuspecting investors.” Block.one claimed it would “develop software to run a new highly decentralized blockchain.” To fund developing this software Block.one created a plan to sell EOS securities in an initial coin offering (ICO). The defendant allegedly wanted to create “a new blockchain architecture designed to enable vertical and horizontal scaling of decentralized applications.” Block.one heavily marketed EOS, and began its ICO in June 2017, targeting both wealthy investors and the public.

Block.one “kept 10 percent of the EOS Securities for itself and solicited online exchanges of digital assets... to lists EOS Securities on their platforms and encourage purchases by a wide universe of investors.” Block.one provided an “EOS Purchase Agreement” in these transactions, however, according to the plaintiffs, this does not meet the requirements for a registered securities offering, and the EOS Securities did not qualify for an exemption to these requirements. The plaintiffs said because the defendant did not provide a registration statement it “did not provide critical information to purchasers of EOS Securities, such as information about Block.one’s financial condition, future plans of operation and budget, the proposed uses of investor proceeds, and detailed disclosures of material trends and the most significant factors that made the ICO speculative and risky.”

The plaintiffs alleged Block.one made multiple materially false and misleading statements, both before and after the ICO, inflating the price of EOS. “The false statements concerned the capabilities of the anticipated EOSIO software that Block.one was developing, including in

particular its ability to support a ‘decentralized’ blockchain.” However, these claims were false, according to the plaintiffs; it was revealed that the “EOS Blockchain was highly centralized and was not superior to the other blockchains already in use.” Block.one raised more than \$4 billion from investors through the sale of EOS Securities.

When EOS Blockchain launched, there were allegedly several issues; for example, users found a bug that caused glitches, which forced Block.one to use an earlier version of the code. Other problems emerged shortly after, such as users discovering it was not “decentralized” as the company promised and several investor accounts were frozen. An outside company tested the EOS software and stated that “EOS is not a blockchain...rather [it is] a distributed homogenous database management system” because the transactions were not “cryptographically validated.” Additionally, the “foundation of the EOS system is built on a flawed model that is not truly decentralized.”

In September 2019, the Securities and Exchange Commission (SEC) issued a cease and desist order to Block.one because of its securities violations. The SEC stated that these were “securities when issued and should not have been sold (and should not continue to be sold) without SEC registration or pursuant to an exemption from registration.” Afterward, the price of EOS drastically declined “from a high of \$22.89 on April 29, 2018 to a trading price of \$2.66, as of” May 18.

The plaintiffs have sought certification as a class action. The complaint was filed in the Southern District of New York. The plaintiffs are represented by Grant & Eisenhofer.

TAGS Block.one Crypto Assets Opportunity Fund Cryptocurrency Grant & Eisenhofer Securities Technology



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T Skevington and M Bacina 📌 May 21 2 min read



Class action litigation launched against Block.one and EOS

Litigants are stepping up a block (sorry!) in the US, with a class action [complaint](#) being filed against [Block.one](#), CEO Brendan Blumer, CTO Dan Larimer, former Chief Strategy Officer Brock Pierce and former partner Ian Grigg. The complaint is made by the Crypto Assets Opportunity Fund (**CAOF**), along with individual investor Johnny Hong, on behalf of investors in EOS generally.



The [complaint](#) was filed in District Court in the Southern District of New York, a popular jurisdiction for securities litigation and turns on the allegation that EOS purposefully misled investors and artificially inflated the EOS token price during its initial coin offering (**ICO**), which ultimately raised over USD\$4.1 billion between June 2017 and June 2018.

In the claimant's words (at paragraph 2):

This case arises out of a fraudulent scheme, fueled by a global frenzy over cryptocurrencies and unchecked human greed, to raise billions of dollars through sales of a cryptocurrency called EOS – an unregistered security – to investors in violation of the United States federal securities laws.

Paragraphs 140 to 185 detail the five causes of action being pleaded by the plaintiffs. The first three causes relate to alleged breaches of the US Securities Act, namely sections 5, 12(a)(1), 12(a)(2) and 15, which relate primarily to Block.one's failure to register its ICO with the US Securities and Exchange Commission (**SEC**).

Michael Bacina
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Investors file class-action lawsuit against Block.one over its alleged “fraudulent scheme”

By **Marivic Cabural Summers** - May 21, 2020



Block.one, a blockchain software company that developed the cryptocurrency or digital token called EOS, is facing a class-action lawsuit.

The Crypto Assets Opportunity Fund (CAOF) together with an individual investor Johnny Hong filed the class action lawsuit against Block.one. The plaintiffs also named the blockchain software company's CEO Brendan Blumer, CEO Dan Larimer, former Chief Strategy Officer Brock Pierce, and former Partner Ian Grigg as defendants in the case.

The class-action lawsuit comes several months after Block.one settled with the U.S. Securities and Exchange Commission (SEC) in connection with its unregistered initial coin offering (ICO), in which it raised billions of dollars from investors who purchased its EOS digital token. Block.one agreed to pay a civil penalty of \$24 million to settle the Commission's lawsuit.

Investors alleged Block.one violated federal securities laws

CAOF and Hong alleged in their class-action lawsuit the Block.one together with the individual defendants sold unregistered security, the EOS digital token, and provided “false and

misleading statements” about it. They alleged that the defendants’ actions are a violation of the Securities Act and Exchange Act.

“This case arises out of a fraudulent scheme, fueled by a global frenzy over cryptocurrencies and unchecked human greed, to raise billions of dollars through sales of a cryptocurrency called EOS—an unregistered security— to investors in violation of the United States federal securities laws. To drive the demand for and increase profit from the sales of EOS Securities, Defendants further violated the securities laws by making materially, false and misleading statements about EOS, which artificially inflated the prices for the EOS Securities and damaged unsuspecting investors,” according to CAO and Hong in their class-action lawsuit.

Additionally, CAO and Hong alleged that the cryptocurrency software company’s “EOS Purchase Agreement did not comply with the registration requirements under the federal securities laws.”

Furthermore, the plaintiffs claimed, “Block.one did not have the ability to create a decentralized EOS blockchain,” a key promise that Block.one failed to deliver. Its failure had a negative impact on the trading price of EOS digital tokens, which harmed investors.

CAO and Hong claimed that “investors suffered losses” when the underlying problems about the EOS Blockchain became and evident and the SEC penalized and issued a Cease-and-Desist order against Block.one.

Marivic Cabural Summers

<http://www.usaherald.com>

Marivic has been a freelance writer/journalist for nearly 20 years. She strictly adheres to the ethical standards in journalism. For her, integrity is everything. Readers deserve to know that real story.

She previously worked as research analyst and editor at Lombardi Financial and has written for various websites including The Motley Fool, ValueWalk, IcanWiki and was a news writer/radio program producer at Nation Broadcasting Corporation.

Marivic holds a BA in Mass Communications.

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Grant & Eisenhofer To Lead Suit Over \$4B Block.one ICO

By **Reenat Sinay**

Law360 (August 5, 2020, 5:06 PM EDT) -- Grant & Eisenhofer PA beat out Selendy & Gay PLLC and Roche Cyrulnik Freedman LLP for the lead counsel role on Tuesday in a newly consolidated proposed class action accusing cryptocurrency issuer Block.one of conducting an unregistered \$4 billion initial coin offering.

U.S. District Judge Lewis A. Kaplan appointed Crypto Assets Opportunity Fund LLC lead plaintiff in **the May suit**, which he combined with a similar April action brought by a group of investors dubbed the "Williams Group." Both suits were in New York federal court.

The Williams Group case is one of nearly a dozen putative class actions against various crypto exchanges and issuers **brought over alleged manipulative behavior** in a deluge of litigation **coordinated by Selendy and Roche Cyrulnik**.

Although the five members of the Williams Group — four individuals and an entity called Token Fund I — collectively claimed over \$615,000 in financial losses compared to Crypto Assets' \$36,229, Judge Kaplan found "several defects" in their lead plaintiff bid and had strong words for the group and its attorneys.

He took issue in particular with unsworn Private Securities Litigation Reform Act certifications, and with unverifiable trading records on the part of the Token Fund and investors Chase Williams and Rajith Thiagarajan.

"These parties have not provided a satisfactory reason for failing to substantiate their alleged losses, and the Court is unwilling to engage in guesswork or rely on their unsupported claims, at least two of which are demonstrably inaccurate or incomplete," Judge Kaplan said. "Regardless of whether these oversights are fatal to the Williams Group's application standing alone, they indicate a lack of diligence on behalf of these plaintiffs and their counsel."

The judge was also concerned with the fact that the five members of the Williams Group do not have a pre-existing relationship, finding that the group and its attorneys "failed to provide satisfactory answers to numerous questions" about why they chose to proceed as a unit.

"While large leadership groups occasionally may offer advantages, the application here creates an unnecessary risk of having too many cooks in the kitchen — or, perhaps worse, a risk of having disinterested cooks," he said.

Judge Kaplan raised doubts about some of the members' motivation to possibly devote years to leading the litigation when they suffered relatively small losses — one as low as \$1,615 — and whether the plaintiffs or their counsel were really in control.

In the group's June reply memorandum, Selendy and Roche Cyrulnik asked the court to appoint one of the two group members with the largest claimed losses, Token Fund or Thiagarajan, as an alternative to appointing the entire group, but this did not sit well with Judge Kaplan.

"Their last minute willingness to jettison some of their clients raises further concerns that the

application is being driven by the lawyers, rather than the plaintiffs," he said.

The investors accuse Block.one and several of its top brass, including co-founders Brendan Blumer, Daniel Larimer and Brock Pierce, of fraudulently raising \$4 billion dollars in an illegal initial coin offering and of lying to investors to drive demand for its EOS coins, thereby artificially inflating the token's value.

Block.one's alleged scheme was "fueled by a global frenzy over cryptocurrencies and unchecked human greed," that ultimately harmed "unsuspecting investors," according to Crypto Assets' May complaint.

Block.one "aggressively marketed" EOS ahead of the ICO and falsely promised investors a more decentralized blockchain technology than existing blockchains, the suit says.

Decentralization allows many blockchain users to share power rather than being controlled by one central authority, and makes the blockchain and the data within more secure from hacking threats, according to the filing.

The company's misstatements drummed up interest in the token and artificially inflated its value, but that value began to decline as partial corrective disclosures about Block.one's real ability to deliver trickled out over the span of a year between 2018 to 2019, the investors said.

The cover-up of underlying problems with the blockchain technology ultimately caused the value of EOS to go from a high of \$22.89 in April 2018 to \$2.66 as of May 18, according to the investors.

Block.one **paid a \$24 million penalty** last year to the U.S. Securities and Exchange Commission over its unregistered ICO without admitting or denying the allegations.

Selendy & Gay and Roche Cyrulnik also **represent investors in the high-profile \$1.4 trillion consolidated case** against cryptocurrency companies Tether and Bitfinex over their alleged manipulation of the bitcoin market.

Counsel for Crypto Assets, the Williams Group and Block.one did not immediately respond Wednesday to requests for comment.

Crypto Assets is represented by Jay W. Eisenhofer, Daniel L. Berger and Caitlin M. Moyna of Grant & Eisenhofer PA, James L. Koutoulas of Koutoulas Law LLC and solo practitioners Ievgeniia P. Vatrencio and J. Samuel Tenenbaum.

The Williams Group is represented by Philippe Selendy, Jordan Goldstein, Joshua Margolin and Oscar Shine of Selendy & Gay and Kyle Roche, Ted Normand, Velvel Freedman and Joseph Delich of Roche Cyrulnik Freedman LLP.

Block.one is represented by Brian E. Klein, Scott Malzahn and Teresa Huggins of Baker Marquart LLP, and Andrew S. Gehring, Edmund Polubinski III, Gabriel Jaime-Bettan, Greg D. Andres, Neal A. Potischman and Antonio Morteiz Haynes of Davis Polk & Wardwell LLP.

The cases are Crypto Assets Opportunity Fund LLC et al. v. Block.One et al. and Williams et al. v. Block.One et al., case numbers 1:20-cv-03829 and 1:20-cv-02809, respectively, both in the U.S. District Court for the Southern District of New York.

--Editing by Emily Kokoll.